

Subject: Post Office and Civil Service Committee Hearings on the
Supplemental Retirement Plan - 30 April 1985.

1. The agenda for subject hearings is outlined in Attachment A. Attachments B, C, D and E are the official testimonies of each of the participants and the organization represented. This was the final hearing in the second series of Supplemental Retirement Hearings.

2. The testimony by the Chamber of Commerce of the U.S.A. representatives was subjected to questioning and challenge by committee members. When they referred to the "unfunded liability" projection in the federal retirement system, the Chairman, Representative William D. Ford, challenged the statement. He reminded the Chamber of Commerce representatives that federal retirement systems have never been based on an "unfunded liability" basis and that there is no intention to establish such a procedure. He is concerned that this misconception will get wider dissemination in the public domain and cause additional problems for the management of the federal workforce. He reported that he is under the impression that currently there is a rush-to-retirement by federal employees who are fearful of their retirement system failing because of this "unfunding" possibility. Representative Ford said that the government has a moral obligation to the federal employees to ensure that they receive their promised retirement benefits. The government has kept it's word, he stated, but, what about the less fortunate people who had been employed over the years in the private sector who have lost their anticipated retirement benefits because of the thousands of companies that went under?

3. The Chamber of Commerce of the U.S.A. represents over 180,000 companies. They indicated that they are seeking comparability in retirement systems, i.e., the federal government and the private sector. They favor the use of the Social Security system as an integral part of the federal retirement system supplemented by voluntary contributory programs such as the 401K plan. Their main concern focuses on the development and eventual passage of a federal employee retirement plan, supported by funds from taxpayers in the private sector, that will exceed in benefits the retirement plans offered by employers in the private sector. Although the Chamber of Commerce representatives volunteered to testify at this hearing, it was apparent that the committee members were not particularly receptive to the presentation. Several confrontational situations occurred during this portion of the hearing.

4. Congressman Rod Chandler/Washington testified in support of a strong supplemental retirement system for federal employees and offered his "three-legged stool" plan as a possibility. The three legs on the "stool" are (A) Social Security System (B) federal government (employer) contribution and (C) voluntary employee contributory plan. The details of his testimony are described in Attachment B.

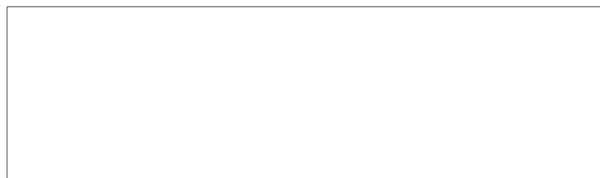
5. The former chairman of the Civil Service Commission, Mr. John W. Macy, Jr. and his associate, former Congressman Hastings Keith, proposed a federal employee retirement program, which it described in detail in Attachment D. (beginning on page 1 of their Attachment). During the questioning period, Mr. Keith cited the case of an acquaintance in Norfolk, Virginia who retired from federal service in 1968 with a \$7,500 per annum annuity.

Today, that person is receiving a \$26,00 per annum annuity. Mr. Keith (who receives a \$72,000 per annum annuity) brought up this case to point out the need to focus more clearly on COLAs. When queried about the purchasing power of the dollar in 1968 versus 1985 -- Mr. Keith did not offer any illuminating response. A query about the retirement programs available to congressmen (e.g., the existing Congressional/Legislative Branch of Government program; previously earned individual state legislature service retirements; military; and Social Security) addressed to Mr. Macy, did not result in a direct comment/reply. Instead, he commented that standardization of all federal retiree plans is not necessarily desirable. He favors separate retirement plans/programs for groups such as the Congress/Legislative Branch; fire-fighters; air-controllers; etc.

6. Mr. Michael D. Serlin's (President of the Federal Executive Institute Alumni Association) testimony is covered in Attachment E. The Committee Chairman questioned Mr. Serlin about the problems in recruiting executives (SEs) for federal service at this time. Are potential executive level recruits more concerned about the offered salary or about the retirement plan benefits? Mr. Serlin was not prepared to respond to these questions with any significant information that could assist the committee.

7. There is no scheduled date for any subsequent hearings on this subject by the Post Office an Civil Service Committee.

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